

COOK COFFEE COMPANY

AND SUBSIDIARIES INCLUDING
PICK-N-PAY SUPER MARKETS INC.



ANNUAL REPORT 1959



COOK COFFEE COMPANY
HOME SERVICE ROUTES SERVING CUSTOMERS
WITH COFFEE, TEA AND HOUSEHOLD ITEMS.

COOK COFFEE COMPANY

DIRECTORS

J. R. ARON
J. H. JACKIER

D. G. SKALL

MAX FREEDMAN
H. F. McVAY

OFFICERS

MAX FREEDMAN *President-Treasurer*
H. F. McVAY *Vice President*
C. G. ROTH *Vice President*
C. R. BERNE *Secretary*
R. R. LUFFLER *Assistant Treasurer*
M. HOFFMAN *Assistant Secretary*

TRANSFER AGENT AND REGISTRAR

The Cleveland Trust Company, Cleveland, Ohio

AUDITORS

Ernst & Ernst, Cleveland, Ohio

GENERAL COUNSEL

Ulmer, Berne, Laronge, Glickman & Curtis, Cleveland, Ohio

GENERAL OFFICES

of the Company and its Wholly-owned Subsidiary
Pick-N-Pay Super Markets, Inc.
16501 Rockside Road, Maple Heights
Cleveland 37, Ohio

HIGHLIGHTS OF 1959

	1959 <i>52 weeks</i>	1958 <i>53 weeks</i>	INCREASE
Sales	\$93,527,499	\$79,665,015	\$13,862,484
Earnings Before Taxes	3,101,554	2,266,972	834,582
Earnings After Taxes	1,648,554	1,130,828	517,726
Earnings Per Share	1.36	1.00	.36
Stock Dividends	6%	6%	—
Working Capital	5,971,543	4,795,118	1,176,425
Property, Plant and Equipment	10,675,952	7,352,371	3,323,581
Shareholders Equity	12,694,606	10,897,957	1,796,649
Shares Outstanding	1,209,799	1,126,049	83,750
Number of Shareholders	2,309	1,391	918
Number of Employees	3,300	3,000	300

The Annual Meeting of Share Owners will be held at 3 P.M. on March 31, 1960 at The Company's Office at 16501 Rockside Road, Maple Heights, Cleveland, Ohio.

The President's Report

TO OUR SHAREHOLDERS

The year 1959 was marked by solid and substantial growth for the Cook Coffee Company and its wholly-owned subsidiary, Pick-N-Pay Super Markets, Inc.

Consolidated net sales for the 52 weeks ended January 2, 1960, were \$93,527,499, up 17.4 per cent over sales of \$79,655,015 for the 53 weeks ended January 3, 1959.

Net earnings were \$1,648,554, up 45.8% over earnings of \$1,130,828 for 1958. On the basis of the shares outstanding at the end of each year, 1959 earnings were \$1.36 per share compared to \$1.00 per share for 1958.

Since the year marked the close of our first decade as a publicly-owned company, we call your attention to the 10-year summary which is published on Pages 6 and 7 of this report.

A MAJOR ACQUISITION

As reported in July, the company acquired the Cleveland-area operations of Foodtown Super Markets from the A. C. F. Wrigley Stores, Incorporated for cash consideration in excess of four-million dollars. The results of this acquisition have been:

To strengthen and accelerate the extension of Pick-N-Pay Super Markets' operations in the strategic 4-county Cleveland Sector.

To permit the integration of all the company's headquarters, general office, food production and processing and super market warehousing operations at one location on Rockside Road, Maple Heights.



PICK-N-PAY ADDS 10 STORES

Pick-N-Pay closed the year with 37 super markets in operation, a net increase of 10 over the previous year end. On March 2nd a 38th store was opened.

Company headquarters and Pick-N-Pay administrative offices were transferred to highly efficient modern air-conditioned space in the former Foodtown headquarters and warehouse building on October 31, 1959. This followed the sale of the company's former offices on Chester Avenue and the acquisition of title to the property, which Foodtown had occupied under lease.

NEW MANUFACTURING FACILITIES

The company now has under construction a 15,000-square-foot addition to the Pick-N-Pay bakery, and a modern ice cream and milk processing plant, both directly adjacent to the Pick-N-Pay warehouse. When these facilities enter production later this year, they will provide an important source of additional manufacturing income.

The bakery, which enjoyed its first full year of operations in 1959, is being expanded by 50 per cent to permit the company to share more fully in this very profitable market, which has been created by the wonderful customer acceptance of Pick-N-Pay's own baked goods. The ice cream and milk processing plant will enable Pick-N-Pay to profitably sell a large volume of the highest quality dairy products at competitive prices.

DIVIDEND POLICY

The Board of Directors declared two regular semi-annual stock dividends of 3 per cent, payable on June 15, 1959 and December 15, 1959, continuing the dividend policy which has been in effect since 1956.

This dividend policy has resulted in building our Net Worth substantially so that the Company has not had to resort to the issuance of additional stock or other public financing in order to provide funds for its expansion program.

FINANCIAL POSITION

The company's continuing strong financial position made it possible to arrange a line of bank credit on highly favorable terms under which the company is assured of adequate cash resources as needed for a period of six years.

The year witnessed a concentration of effort on the development of a higher level of profitability in all of the company's operations. This was reflected in all divisions of our business.

The company in December disposed of its home delivery routes in the State of California, and is now concentrating all its efforts in this field in the eleven mid-eastern and central states where the route operation has been consistently profitable.

A NEW DECADE

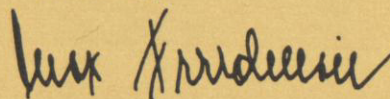
The present year will witness an increase of at least four in the total number of Pick-N-Pay stores. One has already been opened, and three others are presently under construction.

For the first 8 weeks of 1960 sales increased 20% over the same period of 1959.

In the face of increasing aggressive competition from other retailers, the company is concentrating its efforts on the improvement of service and quality. By offering greater value and the maximum convenience to our increasing family of customers, we look forward to continuing our profitable growth in the '60's.

May I take this opportunity to thank our 3,300 employees for their wholehearted support and loyalty to the ideals of the company. Our progress could not be maintained without their cooperation. And to our many new shareholders in all sections of the country we say, "Welcome to the Cook family."

Sincerely,



PRESIDENT

March 7, 1960

COOK COFFEE COMPANY AND SUBSIDIARIES

Comparative financial statements

YEAR	SALES	INCOME BEFORE FEDERAL INCOME TAXES	NET INCOME	NET INCOME PER SHARE	NUMBER OF SHARES OUTSTANDING (ADJUSTED FOR 2 FOR 1 SPLIT IN 1956)	NUMBER OF SHARE- HOLDERS	NUMBER OF EMPLOYEES
1959	\$93,527,499	\$3,101,554	\$1,648,554	\$1.36	1,209,799	2309	3300
1958*	79,665,015	2,266,972	1,130,828	1.00	1,126,049	1391	3000
1957	70,395,030	2,706,288	1,360,644	1.31	1,041,841	1174	2600
1956	67,348,365	2,927,316	1,434,954	1.47	972,976	1021	2500
1955	60,935,074	2,537,011	1,210,634	1.32	917,978	812	2500
1954	54,340,831	1,813,380	874,555	1.02	856,266	765	2500
1953	48,647,313	1,827,848	843,519	1.01	838,900	711	2300
1952*	44,154,171	1,694,962	795,964	.96	825,000	706	2200
1951	31,524,171	1,559,087	754,615	.93	812,000	714	1900
1950	20,399,849	1,138,539	661,005	.82	810,000	678	1300

*53 weeks — all other years 52 weeks

ND SUBSIDIARIES

Statistics for the past ten years.

CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	PROPERTY PLANT AND EQUIPMENT LESS DEPRECIATION	LONG TERM DEBT	NET WORTH		YEAR
					AMOUNT	PER SHARE	
\$11,537,399	\$5,565,856	\$5,971,543	\$10,675,952	\$4,269,693	\$12,694,606	\$10.49	1959
9,375,808	4,580,690	4,795,118	7,352,371	1,308,128	10,897,957	9.68	1958*
9,267,814	3,904,775	5,363,039	5,665,549	1,628,279	9,564,874	9.18	1957
9,570,502	4,155,021	5,415,481	4,713,355	2,134,639	8,214,804	8.44	1956
9,497,221	3,809,833	5,687,388	3,304,177	2,290,720	6,849,764	7.46	1955
8,290,967	3,142,485	5,148,482	3,401,994	2,746,536	5,937,363	6.93	1954
8,460,688	3,188,699	5,271,989	3,128,180	3,202,097	5,373,800	6.41	1953
7,090,705	3,006,361	4,084,344	2,877,679	2,387,321	4,870,744	5.90	1952*
7,305,884	2,899,925	4,405,959	2,311,520	2,186,736	4,423,824	5.45	1951
4,565,758	1,932,304	2,633,454	1,327,802	—	4,180,335	5.16	1950

COOK COFFEE COMPANY AND

Statement of Consolidated

ASSETS

	JAN. 2,1960	JAN. 3,1959
CURRENT ASSETS		
Cash	\$ 2,355,287	\$ 1,779,388
Trade accounts receivable	2,209,886	1,758,116
Less allowance for doubtful accounts	83,500	112,212
	<u>\$ 2,126,386</u>	<u>\$ 1,645,904</u>
Inventories — at lower of cost or market	6,619,775	5,582,780
Deferred taxes and prepaid expenses	435,951	367,736
<i>Total Current Assets</i> ..	<u>\$11,537,399</u>	<u>\$ 9,375,808</u>
INVESTMENTS AND OTHER ASSETS		
Notes receivable	\$ 406,211	\$ 104,531
Cash surrender value of life insurance	113,599	102,999
Investments in other companies	76,275	61,675
Sundry deposits and accounts receivable	107,719	138,565
	<u>\$ 703,804</u>	<u>\$ 407,770</u>
PROPERTY, PLANT, AND EQUIPMENT — on the basis of cost		
Land	\$ 904,938	\$ 365,927
Buildings	4,906,218	3,194,550
Furniture, fixtures, and equipment	5,690,544	4,498,669
Delivery equipment	1,825,880	1,811,591
Leasehold improvements	1,307,460	996,220
	<u>\$14,635,040</u>	<u>\$10,866,957</u>
Less allowances for depreciation and amortization..	3,959,088	3,514,586
	<u>\$10,675,952</u>	<u>\$ 7,352,371</u>
	<u>\$22,917,155</u>	<u>\$17,135,949</u>

SUBSIDIARIES

Financial Condition

LIABILITIES

CURRENT LIABILITIES

	JAN. 2, 1960	JAN. 3, 1959
Notes payable to bank	\$ — o —	\$ 500,000
Accounts payable, accrued salaries, commissions, etc.	3,451,295	2,342,084
Employees' surety deposits	198,317	206,914
Taxes withheld from employees' compensation	348,124	259,699
Accrued taxes and interest	451,091	310,049
Federal income taxes — estimated	932,574	679,293
Current portion of long-term debt — Note A	184,455	282,651
<i>Total Current Liabilities ..</i>	<i>\$ 5,565,856</i>	<i>\$ 4,580,690</i>

LONG-TERM DEBT — Note A	4,269,693	1,308,128
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DEFERRED FEDERAL INCOME TAXES — Note D	387,000	267,000
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MINORITY INTEREST IN SHAREHOLDERS' EQUITY OF SUBSIDIARY COMPANY	— o —	82,174
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SHAREHOLDERS' EQUITY

Common stock, par value \$1.00 per share — Note B:		
Authorized 2,500,000 shares		
Outstanding 1,209,799 shares (1958 — 1,126,049)		
after deducting 992 treasury shares (1958 —		
3,389)	\$ 1,209,799	\$ 1,126,049
Capital in excess of par value	4,612,804	2,941,008
Retained earnings — Note A	6,872,003	6,830,900
	<u>\$12,694,606</u>	<u>\$10,897,957</u>
	<u>\$22,917,155</u>	<u>\$17,135,949</u>

See notes to consolidated financial statements.

COOK COFFEE COMPANY AND

Statements of Consolidated Capital In Excess of Par Value and Retained Earnings

Period of 52 weeks ended January 2, 1960

CAPITAL IN EXCESS OF PAR VALUE

Balance at January 4, 1959.....	\$2,941,008
Excess of proceeds over par value of 18,810 shares of common stock sold under option agreements.....	224,714
Excess of market price over par value of 67,841 shares of common stock issued as stock dividends.....	1,458,083
	<u>\$4,623,805</u>
Less proportionate share of cost of 2,901 shares of common stock acquired.....	11,001
	<u><u>Balance at January 2, 1960.....</u></u>
	<u><u>\$4,612,804</u></u>

RETAINED EARNINGS

Balance at January 4, 1959.....	\$6,830,900
Net income	1,648,554
	<u>\$8,479,454</u>

Deductions:

Stock dividends:

Market Price of common stock issued:

3%, June 15, 1959 — 33,422 shares.....	\$ 768,706
3%, December 15, 1959 — 34,419 shares.....	757,218
Cash paid in lieu of fractional values.....	35,299

Excess of cost over par value and proportionate share of capital in excess of par value of

2,901 shares of common stock acquired.....	46,228	1,607,451
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<i>Balance at January 2, 1960.....</i>	<u><u>\$6,872,003</u></u>
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See notes to consolidated financial statements.

SUBSIDIARIES

Statement of Consolidated Income

Periods of 52 weeks ended January 2, 1960
and 53 weeks ended January 3, 1959

	1959	1958
Net sales	\$93,527,499	\$79,665,015
Cost of merchandise sold and other operating expenses	90,553,726	77,333,346
	<u>\$ 2,973,773</u>	<u>\$ 2,331,669</u>
Other income (including gains on disposal of buildings and equipment of \$270,348 in 1959, and \$28,777 in 1958)	279,335	40,489
	<u>\$ 3,253,108</u>	<u>\$ 2,372,158</u>
Interest expense	151,554	105,186
	<u>\$ 3,101,554</u>	<u>\$ 2,266,972</u>
<i>Income before Federal Income Taxes</i>		
	<u>\$ 3,101,554</u>	<u>\$ 2,266,972</u>
Federal income taxes — estimated — Note D	1,453,000	1,136,144
<i>Net Income</i>	<u>\$ 1,648,554</u>	<u>\$ 1,130,828</u>

Provision for depreciation and amortization included above:

1959 — \$901,267; 1958 — \$895,972

See notes to consolidated financial statements.

COOK COFFEE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS January 2, 1960

NOTE A — LONG-TERM DEBT

The following is a summary of long-term debt after deduction of current maturities:

	Jan. 2, 1960	Jan. 3, 1959
Notes payable to bank under credit agreement at an interest rate not to exceed 5½%	\$3,641,667	\$ — o —
Note payable, 4½%, due in quarter-annual payments of \$4,750 to November 1, 1964, at which time the remaining balance is payable (secured)	152,172	159,128
Note payable to an insurance company, 5%, due in monthly payments of principal and interest of \$3,630 to November 1, 1976 (secured)	475,854	— o —
Notes payable to an insurance company, 4½%, repaid during the year.....	— o —	1,149,000
TOTALS	<u>\$4,269,693</u>	<u>\$1,308,128</u>

Two greater Cleveland warehouses are mortgaged as security on above notes.

Under the terms of a credit agreement, the Company may borrow a maximum of \$5,500,000 on short-term notes and, at August 1, 1960, may convert these notes

to long-term debt. Any debt so created is repayable in 24 equal quarter-annual installments commencing November 1, 1960. Among other covenants, the credit agreement imposes limitations on the payment of cash dividends. Retained earnings at January 2, 1960, were unrestricted to the extent of \$1,053,124 under these covenants.

NOTE B — STOCK OPTIONS

At January 2, 1960, 24,660 shares of common stock were subject to options granted, during 1956, 1958, and 1959, to officers and employees at prices (varying from \$11.40 to \$19.71 per share) equal to 95% of market prices at dates options were granted. Generally, options become exercisable one year after date of grant. During 1959 options were exercised for 18,810 shares at option prices (varying from \$11.40 to \$16.74) totaling \$243,524.

NOTE C — LEASE RENTALS

The retail stores of Pick-N-Pay Super Markets, Inc. are operated on premises under leases extending from three to eighteen years. The aggregate minimum annual rental under such leases is approximately \$931,000.

NOTE D — DEPRECIATION

Provisions for depreciation for 1959 in the accompanying statements have been computed by the straight-line method. Accelerated rates of depreciation are used for federal income tax purposes. Accordingly, the liability for future income taxes was increased by \$120,000 in 1959.

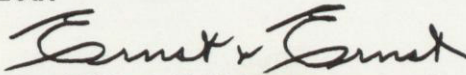
ERNST & ERNST

UNION COMMERCE BUILDING
CLEVELAND 14, OHIO

Board of Directors
Cook Coffee Company
Cleveland, Ohio

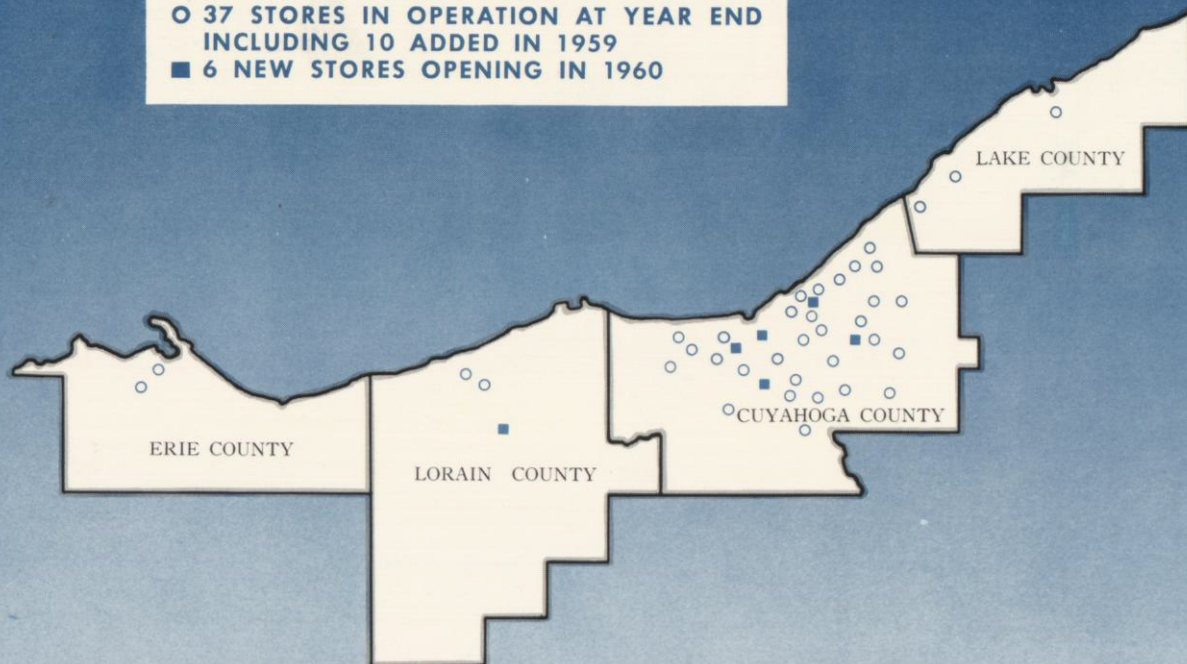
We have examined the consolidated financial statements of Cook Coffee Company and subsidiaries for the period of fifty-two weeks ended January 2, 1960. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and other auditing procedure as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial condition, income, capital in excess of par value, and retained earnings present fairly the consolidated financial position the Cook Coffee Company and subsidiaries at January 2, 1960, and the consolidated results of their operations for the period of fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.


Certified Public Accountants

Cleveland, Ohio
February 13, 1960

○ 37 STORES IN OPERATION AT YEAR END
INCLUDING 10 ADDED IN 1959
■ 6 NEW STORES OPENING IN 1960



**PICK-N-PAY SUPER MARKETS
SERVE CUSTOMERS IN NORTHERN OHIO WITH
A COMPLETE SELECTION OF QUALITY MEATS,
PRODUCE AND GROCERIES.**



The Mark of Quality

